

**TOWNSHIP OF BRUCE
MACOMB COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce, Michigan (the Township), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Romeo, Washington, Bruce Parks and Recreation Commission or the Washington and Bruce Senior Transportation through Advanced Reservation Commission, which represent 14%, 4%, and 0%, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for governmental activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce, Michigan as of March 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the schedules for other post-employment benefits, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the combining nonmajor and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2020 on our consideration of the Township of Bruce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Bruce's internal control over financial reporting and compliance.

Maney Costeiran PC

September 7, 2020

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Reporting

This discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended March 31, 2020:

- The Township's net position in the governmental activities decreased by \$274,092 during the 2019-2020 fiscal year.
- State shared revenue in the governmental activities increased by \$106,972 during the 2019-2020 fiscal year.
- The Township's net position in the business-type activities decreased by \$150,362 during the 2019-2020 fiscal year.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Advanced Life Support funds, all of which are considered to be major funds. The Improvement Revolving and Special Assessment District funds are nonmajor governmental funds and are detailed in the Nonmajor Governmental Funds Combining Balance Sheet in the Other Supplementary Information section of the audit report.

The Township adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and each major Special Revenue Fund to demonstrate compliance with this budget.

Proprietary Funds. The Township maintains two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this Management's Discussion and Analysis and the budgetary comparison schedules. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

**TOWNSHIP OF BRUCE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of March 31, 2020 and March 31, 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 6,416,690	\$ 6,373,839	\$ (694,380)	\$ (600,149)	\$ 5,722,310	\$ 5,773,690
Capital assets	2,910,268	2,753,710	6,510,404	6,713,598	9,420,672	9,467,308
Total assets	9,326,958	9,127,549	5,816,024	6,113,449	15,142,982	15,240,998
Deferred Outflows of Resources						
	414,949	-	206,666	221,428	621,615	221,428
Liabilities						
Current liabilities	795,515	708,492	455,442	317,281	1,250,957	1,025,773
Noncurrent liabilities	10,174,791	9,377,593	2,956,686	3,203,170	13,131,477	12,580,763
Total liabilities	10,970,306	10,086,085	3,412,128	3,520,451	14,382,434	13,606,536
Deferred Inflows of Resources						
	10,426	-	-	-	10,426	-
Net Position						
Net investment in capital assets	1,950,142	1,628,087	3,307,234	3,268,944	5,257,376	4,897,031
Restricted	2,705,672	2,704,579	-	-	2,705,672	2,704,579
Unrestricted	(5,894,639)	(5,291,202)	(696,672)	(454,518)	(6,591,311)	(5,745,720)
Total net position	<u>\$ (1,238,825)</u>	<u>\$ (958,536)</u>	<u>\$ 2,610,562</u>	<u>\$ 2,814,426</u>	<u>\$ 1,371,737</u>	<u>\$ 1,855,890</u>

Net position may serve over time as a useful indicator of a government's financial position. The Township's governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,238,825 as of March 31, 2020. The Township's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,610,562 as of March 31, 2020. A portion of the Township's net position reflects its balance of unrestricted net position. These funds, if available, may be used to meet the Township's ongoing obligations to citizens and creditors.

An additional portion of the Township's net position reflects its net investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position represents resources that are subject to external restrictions on how they may be used.

**TOWNSHIP OF BRUCE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Township's total change in net position was a decrease of \$430,651 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue						
Charges for services	\$ 1,557,604	\$ 1,650,696	\$ 807,958	\$ 698,741	\$ 2,365,562	\$ 2,349,437
Operating grants and contributions	6,677	22,559	-	-	6,677	22,559
Capital grants and contributions	22,514	72,924	209,226	-	231,740	72,924
General revenue						
Property taxes	2,413,520	2,306,548	-	-	2,413,520	2,306,548
State shared revenue	622,522	591,792	-	-	622,522	591,792
Local community stabilization	83,349	95,530	-	-	83,349	95,530
Investment earnings	18,689	19,743	16,225	18,962	34,914	38,705
Change in equity interest in joint ventures	-	56,077	-	-	-	56,077
Gain on sale of capital assets	31,110	-	-	-	31,110	-
Miscellaneous	12,014	17,806	-	-	12,014	17,806
Special item	66,032	-	-	-	66,032	-
Total revenue	4,834,031	4,833,675	1,033,409	717,703	5,867,440	5,551,378
Program Expenses						
General government	884,362	842,179	-	-	884,362	842,179
Public safety	1,365,641	1,370,245	-	-	1,365,641	1,370,245
Public works	177,021	913,162	-	-	177,021	913,162
Health and welfare	2,574,059	2,056,615	-	-	2,574,059	2,056,615
Community and econ. development	72,229	29,084	-	-	72,229	29,084
Sewer system	-	-	781,518	523,947	781,518	523,947
Water system	-	-	402,253	290,122	402,253	290,122
Interest on long-term debt	41,008	22,407	-	-	41,008	22,407
Total program expenses	5,114,320	5,233,692	1,183,771	814,069	6,298,091	6,047,761
Change in Net Position	\$ (280,289)	\$ (400,017)	\$ (150,362)	\$ (96,366)	\$ (430,651)	\$ (496,383)

Governmental Activities

The net position of the Township's governmental activities decreased \$280,289 during fiscal year 2020. Although the Township's revenues remained relatively flat and the expenses decreased approximately 2% from fiscal year 2019, the Township continues to analyze ways to obtain revenue or cut expenses without losing service as a result of the continued loss in net position. A key element related to the change in net position is the public safety and health and welfare expenses which are approximately 77% of the total expenses and includes fire and ambulance services. The primary factors resulting in the decrease in net position were general, fire, and ambulance expenses increasing significantly, various infrastructure projects in process throughout the Township, and increase building inspections costs.

Business-type Activities

The net position of the Township's business-type activities decreased by \$150,362 during fiscal year 2020. Although the total expenses increased approximately 45%, revenues also increased approximately 44%, which resulted in the business-type activities decreasing overall as the expenses continue to be more than the revenue. The majority of the revenue is generated through charges for services, which makes up approximately 78% of the total business-type activities revenue. While rates were increased in both the Sewer Fund and the Water Fund and there was additional usage during the current year, the increase did not keep up with required expenses. The Township is scheduled to continue increasing rates in future years until both the Sewer Fund and the Water Fund are self-sufficient as intended for Enterprise funds. The Township also has a significant amount of project in the engineering phase which will contribute revenue in the next 24 months in the form of benefit fees.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the governmental funds, not the Township as a whole. The Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental funds for the fiscal year ended March 31, 2020, were the General Fund, Fire Fund, and Advanced Life Support Fund. The General Fund pays for most of the Township's governmental operating services. The most significant service provided within the General Fund during the fiscal year was for general government, which incurred expenditures of \$615,640 for the fiscal year.

The Fire Fund and Advanced Life Support Fund are used to account for fire and ambulance services and are funded with special millages, insurance recoveries, and revenue from the Village of Romeo. The funds incurred total expenditures of \$1,017,985 and \$2,184,441, respectively, of which \$2,859,510 were for fire and ambulance services. The remaining expenditures were for capital outlay and debt service.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer System and the Water System at the end of the year amounted to deficits of \$455,938 and \$240,734, respectively. The increase in net position for the Sewer System was \$120,204; while the decrease in net position for the Water System was \$270,566. Other significant factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township's Board of Trustees revised the General Fund's budget several times. The Township began the year expecting no usage of fund balance. Even after all budget adjustments were made, the Township continued to anticipate no usage of fund balance although both the General Fund's budgeted revenues and expenditures were increased by \$135,000, and \$125,200, respectively, throughout the year. Actual expenditures came in approximately \$21,600 under the final budgeted amount adopted by the Township's Board of Trustees. Actual revenues were \$43,462 less than the final anticipated amount with the actual net change in fund balance being a decrease of \$25,993, before GAAP-basis adjustments. This decrease in fund balance, before GAAP-basis adjustments, was the result of various expenses and capital improvements for the Township.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,420,500 invested in a broad range of governmental and business-type capital assets, including infrastructure, buildings, land, vehicles, equipment, and utilities, net of accumulated depreciation. During the fiscal year 2020, the most significant capital asset additions were the purchase of a new ambulance, BS&A financial software, a new filtration system, and lighting around the 33 Mile Road roundabout. Further details related to the Township's capital assets can be found in Note 5 to the financial statements.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt. The Township's long-term debt, of governmental and business-type, decreased by approximately \$400,000 during fiscal year 2020. This change was largely related to payments being made and an adjustment for the final accounting related to the 2014 State Infrastructure Bank Loan which reduce the balance outstanding by approximately \$66,000. The carrying amount of the Townships obligation for compensated absences, included in the long-term debt, was \$208,618 at fiscal year-end. Further details related to the Township's long-term debt can be found in Note 6 to the financial statements.

Current Economic Factors

Revenue sharing makes up a significant portion of the Township's budget. While this has leveled off, the Township has experienced a slight increase during the most recent budget cycles. A close watch will be maintained as the State of Michigan continues to investigate financial solutions.

Increases in property values and moderate growth in residential and industrial have resulted in a slight increase in the property tax revenue for the Township. The trend of increases in property values and corresponding revenue is expected to continue as the Township has noticed significant new construction and building permits being obtained and a significant increase in planning applications.

The Board recently expanded the water district to include property adjacent (west) to M53. The purpose was to include Springbrook Estates, mobile home park, so that they can connect to the Township's municipal water system. This will be of mutual benefit to both the park and the Township as it will provide an improved water source to the park and increase revenues to the Township's Water Fund and also allow the Township to potentially bring on additional users. This project is still ongoing but on hold as Springbrook is in the process of deciding when they would like to connect. The Township has additional parties interested in contributing to the water line.

Also, the planning commission recently approved major development through the industrial corridor that has already entered the engineering approval phase, phase one of the three project phases. The Township expects to see significant growth in the industrial area as building permits, sewer and water revenue, taxable values, and employment appear to have been given a boost by the development that is already occurring.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues, including state shared revenue, to decline.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 223 East Gates Street, Romeo, Michigan 48065.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF BRUCE
STATEMENT OF NET POSITION
MARCH 31, 2020**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,801,652	\$ 239,643	\$ 3,041,295
Investments	373,310	-	373,310
Current portion of receivables	166,088	165,895	331,983
Due from other governmental units	404,743	23,514	428,257
Internal balances	1,242,156	(1,242,156)	-
Prepays	17,775	1,062	18,837
Total current assets	<u>5,005,724</u>	<u>(812,042)</u>	<u>4,193,682</u>
Noncurrent assets			
Internal balances	77,869	(77,869)	-
Noncurrent portion of receivables	48,337	195,531	243,868
Investment in Romeo, Washington, Bruce Parks and Recreation Commission	940,091	-	940,091
Investment in Washington and Bruce Senior Transportation through Advanced Reservation Commission	344,669	-	344,669
Capital assets not being depreciated	636,770	11,760	648,530
Capital assets being depreciated, net	2,273,498	6,498,644	8,772,142
Total noncurrent assets	<u>4,321,234</u>	<u>6,628,066</u>	<u>10,949,300</u>
TOTAL ASSETS	<u>9,326,958</u>	<u>5,816,024</u>	<u>15,142,982</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	-	206,666	206,666
Deferred outflows related to other post-employment benefits	414,949	-	414,949
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>414,949</u>	<u>206,666</u>	<u>621,615</u>
LIABILITIES			
Current liabilities			
Accounts payable	91,769	208,108	299,877
Accrued wages	174,806	850	175,656
Due to other governmental units	149,176	-	149,176
Unearned revenue	122,998	-	122,998
Current portion of compensated absences	144,230	-	144,230
Current portion of long-term debt	112,536	246,484	359,020
Total current liabilities	<u>795,515</u>	<u>455,442</u>	<u>1,250,957</u>
Noncurrent liabilities			
Noncurrent portion of compensated absences	64,388	-	64,388
Noncurrent portion of long-term debt	847,590	2,956,686	3,804,276
Total other post-employment benefits liability	9,262,813	-	9,262,813
Total noncurrent liabilities	<u>10,174,791</u>	<u>2,956,686</u>	<u>13,131,477</u>
TOTAL LIABILITIES	<u>10,970,306</u>	<u>3,412,128</u>	<u>14,382,434</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to other post-employment benefits	10,426	-	10,426
NET POSITION			
Net investment in capital assets	1,950,142	3,307,234	5,257,376
Restricted			
Public safety	1,220,887	-	1,220,887
Health and welfare	1,290,247	-	1,290,247
Capital projects	194,538	-	194,538
Unrestricted	(5,894,639)	(696,672)	(6,591,311)
TOTAL NET POSITION	<u>\$ (1,238,825)</u>	<u>\$ 2,610,562</u>	<u>\$ 1,371,737</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 884,362	\$ 299,247	\$ -	\$ -	\$ (585,115)	\$ -	\$ (585,115)
Public safety	1,365,641	131,868	-	-	(1,233,773)	-	(1,233,773)
Public works	177,021	117,011	6,677	22,514	(30,819)	-	(30,819)
Health and welfare	2,574,059	1,009,478	-	-	(1,564,581)	-	(1,564,581)
Community and economic development	72,229	-	-	-	(72,229)	-	(72,229)
Interest on long-term debt	41,008	-	-	-	(41,008)	-	(41,008)
Total governmental activities	<u>5,114,320</u>	<u>1,557,604</u>	<u>6,677</u>	<u>22,514</u>	<u>(3,527,525)</u>	<u>-</u>	<u>(3,527,525)</u>
Business-type activities							
Sewer system	781,518	689,224	-	209,226	-	116,932	116,932
Water system	402,253	118,734	-	-	-	(283,519)	(283,519)
Total business-type activities	<u>1,183,771</u>	<u>807,958</u>	<u>-</u>	<u>209,226</u>	<u>-</u>	<u>(166,587)</u>	<u>(166,587)</u>
Total government	<u>\$ 6,298,091</u>	<u>\$ 2,365,562</u>	<u>\$ 6,677</u>	<u>\$ 231,740</u>	<u>(3,527,525)</u>	<u>(166,587)</u>	<u>(3,694,112)</u>
General revenues							
Property taxes					2,413,520	-	2,413,520
State shared revenues					622,522	-	622,522
Local community stabilization					83,349	-	83,349
Investment earnings					18,689	16,225	34,914
Sale of capital assets					31,110	-	31,110
Miscellaneous					12,014	-	12,014
Total general revenues					<u>3,181,204</u>	<u>16,225</u>	<u>3,197,429</u>
Special item - reduction of debt requirements					<u>66,032</u>	<u>-</u>	<u>66,032</u>
Change in net position					<u>(280,289)</u>	<u>(150,362)</u>	<u>(430,651)</u>
Restated net position, beginning of the year					<u>(958,536)</u>	<u>2,760,924</u>	<u>1,802,388</u>
Net position, end of the year					<u>\$ (1,238,825)</u>	<u>\$ 2,610,562</u>	<u>\$ 1,371,737</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2020**

	General Fund	Fire Fund	Advanced Life Support Fund
ASSETS			
Cash and cash equivalents	\$ 366,273	\$ 969,071	\$ 1,309,110
Investments	71,940	192,257	103,877
Receivables			
Accounts	28,652	34,971	37,645
Taxes	2,363	-	-
Special assessments	-	-	-
Long-term receivable	38,500	-	-
Due from other governmental units	311,261	38,334	55,148
Due from other funds	951,221	56,709	-
Advances to other funds	77,869	-	-
Prepays	5,514	8,124	4,137
TOTAL ASSETS	\$ 1,853,593	\$ 1,299,466	\$ 1,509,917
LIABILITIES			
Accounts payable	\$ 64,074	\$ 9,059	\$ 18,636
Accrued wages	39,508	51,762	83,536
Due to other funds	125,000	17,758	-
Due to other governmental units	149,176	-	-
Unearned revenue	5,500	-	117,498
TOTAL LIABILITIES	383,258	78,579	219,670
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	38,500	-	-
FUND BALANCES (DEFICITS)			
Nonspendable	83,383	8,124	4,137
Restricted	-	1,212,763	1,286,110
Assigned	254,035	-	-
Unassigned	1,094,417	-	-
TOTAL FUND BALANCES	1,431,835	1,220,887	1,290,247
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 1,853,593	\$ 1,299,466	\$ 1,509,917

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 157,198	\$ 2,801,652
5,236	373,310
-	101,268
-	2,363
72,294	72,294
-	38,500
-	404,743
452,758	1,460,688
-	77,869
-	17,775
<u>\$ 687,486</u>	<u>\$ 5,350,462</u>
\$ -	\$ 91,769
-	174,806
75,774	218,532
-	149,176
-	122,998
<u>75,774</u>	<u>757,281</u>
<u>72,294</u>	<u>110,794</u>
-	95,644
194,538	2,693,411
402,653	656,688
(57,773)	1,036,644
<u>539,418</u>	<u>4,482,387</u>
<u>\$ 687,486</u>	<u>\$ 5,350,462</u>

**TOWNSHIP OF BRUCE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2020**

Total fund balances - governmental funds \$ 4,482,387

Amounts reported for the governmental activities in the statement of net position are different because:

Investments in joint ventures are not financial resources and are not reported in the governmental funds. 1,284,760

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 8,668,165	
Accumulated depreciation is	<u>(5,757,897)</u>	
Capital assets, net		2,910,268

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue	110,794
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Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the OPEB liability as of the measurement date. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	414,949	
Deferred inflows of resources related to OPEB	<u>(10,426)</u>	
		404,523

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(208,618)	
Direct obligations	(960,126)	
Total other post-employment benefits liability	<u>(9,262,813)</u>	
		<u>(10,431,557)</u>

Net position of governmental activities **\$ (1,238,825)**

**TOWNSHIP OF BRUCE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2020**

	General Fund	Fire Fund	Advanced Life Support Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 502,203	\$ 825,015	\$ 1,202,495
Special assessments	-	-	-
Licenses and permits	166,230	-	-
Intergovernmental	712,548	-	-
Charges for services	136,150	154,555	1,009,478
Interest	3,946	8,801	5,942
Other	8,517	1,540	1,705
	<u>1,529,594</u>	<u>989,911</u>	<u>2,219,620</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	615,640	-	-
Public safety	193,884	916,871	-
Public works	154,504	-	-
Health and welfare	-	-	1,942,639
Community and economic development	69,836	-	-
Other	365,917	-	-
Capital outlay	98,305	43,800	241,802
Debt service	83,159	57,314	-
	<u>1,581,245</u>	<u>1,017,985</u>	<u>2,184,441</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(51,651)</u>	<u>(28,074)</u>	<u>35,179</u>
OTHER FINANCING SOURCES			
Sale of capital assets	<u>31,110</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(20,541)	(28,074)	35,179
Fund balances, beginning of year	<u>1,452,376</u>	<u>1,248,961</u>	<u>1,255,068</u>
Fund balances, end of year	<u>\$ 1,431,835</u>	<u>\$ 1,220,887</u>	<u>\$ 1,290,247</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 2,529,713
18,006	18,006
-	166,230
-	712,548
-	1,300,183
4,508	23,197
-	11,762
22,514	4,761,639
-	615,640
-	1,110,755
6,012	160,516
-	1,942,639
-	69,836
-	365,917
-	383,907
-	140,473
6,012	4,789,683
16,502	(28,044)
-	31,110
16,502	3,066
522,916	4,479,321
\$ 539,418	\$ 4,482,387

TOWNSHIP OF BRUCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2020

Net change in fund balances - total governmental funds \$ 3,066

Amounts reported for governmental activities in the statement of activities are different

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 358,276	
Depreciation	<u>(201,718)</u>	
Excess of capital outlay over depreciation expense		156,558

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period these amounts consist of:

Change in unavailable revenue	(24,750)
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Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable liability in the statement of net position. In the current year, these amounts consist of:

Debt principal retirement	99,465	
Special item - reduction of debt from project's final accounting	<u>66,032</u>	
		165,497

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in compensated absences	(7,538)	
(Increase) in total other post-employment benefits liability	(977,645)	
Increase in deferred outflows of resources related to OPEB	414,949	
(Increase) in deferred inflows of resources related to OPEB	<u>(10,426)</u>	
		<u>(580,660)</u>

Change in net position of governmental activities	<u>\$ (280,289)</u>
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**TOWNSHIP OF BRUCE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 MARCH 31, 2020**

	Sewer System Fund	Water System Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 112,547	\$ 127,096	\$ 239,643
Receivables			
Customers	121,828	1,892	123,720
Current portion of special assessments	20,140	22,035	42,175
Due from other governmental units	11,125	12,389	23,514
Due from other funds	47,511	-	47,511
Prepays	1,062	-	1,062
	<u>314,213</u>	<u>163,412</u>	<u>477,625</u>
Total current assets			
Noncurrent assets			
Noncurrent portion of special assessments receivable	17,139	178,392	195,531
Capital assets, not being depreciated	-	11,760	11,760
Capital assets, net of accumulated depreciation	5,690,589	808,055	6,498,644
	<u>5,707,728</u>	<u>998,207</u>	<u>6,705,935</u>
Total noncurrent assets			
TOTAL ASSETS			
	<u>6,021,941</u>	<u>1,161,619</u>	<u>7,183,560</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	206,666	-	206,666
	<u>206,666</u>	<u>-</u>	<u>206,666</u>
LIABILITIES			
Current liabilities			
Accounts payable	205,880	2,228	208,108
Accrued wages	850	-	850
Due to other funds	709,357	580,310	1,289,667
Current portion of long-term debt	212,284	34,200	246,484
	<u>1,128,371</u>	<u>616,738</u>	<u>1,745,109</u>
Total current liabilities			
Noncurrent liabilities			
Advances from other funds	77,869	-	77,869
Noncurrent portion of long-term debt	2,649,686	307,000	2,956,686
	<u>2,727,555</u>	<u>307,000</u>	<u>3,034,555</u>
Total noncurrent liabilities			
TOTAL LIABILITIES			
	<u>3,855,926</u>	<u>923,738</u>	<u>4,779,664</u>
NET POSITION			
Net investment in capital assets	2,828,619	478,615	3,307,234
Unrestricted	(455,938)	(240,734)	(696,672)
	<u>\$ 2,372,681</u>	<u>\$ 237,881</u>	<u>\$ 2,610,562</u>
TOTAL NET POSITION			

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED MARCH 31, 2020**

	Sewer System Fund	Water System Fund	Total
OPERATING REVENUES			
Charges for services	\$ 689,224	\$ 118,734	\$ 807,958
OPERATING EXPENSES			
Cost of sewage disposal	474,672	-	474,672
Operation and maintenance	63,029	365,513	428,542
General and administrative	-	449	449
Depreciation and amortization	158,539	16,191	174,730
TOTAL OPERATING EXPENSES	696,240	382,153	1,078,393
OPERATING (LOSS)	(7,016)	(263,419)	(270,435)
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	209,226	-	209,226
Interest revenue	3,272	12,953	16,225
Interest and fees expense	(85,278)	(20,100)	(105,378)
NONOPERATING REVENUES (EXPENSES)	127,220	(7,147)	120,073
CHANGE IN NET POSITION	120,204	(270,566)	(150,362)
Restated net position, beginning of year	2,252,477	508,447	2,760,924
Net position, end of year	<u>\$ 2,372,681</u>	<u>\$ 237,881</u>	<u>\$ 2,610,562</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED MARCH 31, 2020**

	Sewer System Fund	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 710,788	\$ 109,072	\$ 819,860
Cash paid to suppliers	(382,039)	(388,180)	(770,219)
Cash paid to employees	96	(449)	(353)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>328,845</u>	<u>(279,557)</u>	<u>49,288</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt/payment of interfund balances	<u>(230,000)</u>	<u>283,200</u>	<u>53,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on borrowings	(205,000)	(35,000)	(240,000)
Grant proceeds received	209,226	-	209,226
Purchase of capital assets	-	(11,760)	(11,760)
Special assessments received	31,779	40,011	71,790
Interest and fees paid	<u>(85,278)</u>	<u>(20,100)</u>	<u>(105,378)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(49,273)</u>	<u>(26,849)</u>	<u>(76,122)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>3,272</u>	<u>12,953</u>	<u>16,225</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,844	(10,253)	42,591
Cash and cash equivalents, beginning of year	<u>59,703</u>	<u>137,349</u>	<u>197,052</u>
Cash and cash equivalents, end of year	<u><u>\$ 112,547</u></u>	<u><u>\$ 127,096</u></u>	<u><u>\$ 239,643</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED MARCH 31, 2020**

	Sewer System Fund	Water System Fund	Total
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (7,016)	\$ (263,419)	\$ (270,435)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	158,539	16,191	174,730
(Increase) decrease in:			
Receivables	32,689	2,727	35,416
Due from other governmental units	(11,125)	(12,389)	(23,514)
Prepays	(70)	-	(70)
Increase (decrease) in:			
Accounts payable	155,732	(22,667)	133,065
Accrued wages	96	-	96
	<u>155,732</u>	<u>(22,667)</u>	<u>133,065</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 328,845</u>	<u>\$ (279,557)</u>	<u>\$ 49,288</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
 FIDUCIARY FUNDS
 STATEMENT OF ASSETS AND LIABILITIES
 MARCH 31, 2020**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 297,022
Due from others	56,038
TOTAL ASSETS	\$ 353,060
LIABILITIES	
Due to others	\$ 7,988
Due to other governmental units	43,955
Deposits	301,117
TOTAL LIABILITIES	\$ 353,060

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bruce (the Township) was organized as a township under provisions of the constitution and general law of the State of Michigan. The Township is one of 11 townships in Macomb County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including general government, highways and streets, fire protection, and sewer utility services.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Township. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township contain all the funds controlled by the Township Board.

Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$940,091 and \$344,669 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission, respectively, was calculated as of March 31, 2019, the most recent financial statements available, and recorded within the governmental activities of the statement of net position. Complete financial statements for the joint ventures can be obtained from the respective administrative offices.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures (continued)

The Township is a member of Romeo District Library, which provides library services to the residents of the Village of Romeo, Washington Township, and Bruce Township. The Library is funded primarily from property taxes and user fees. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township appoints two members to the Romeo District Library board, which approves the library's annual budget. During the current year, no contribution was made to the Library by the Township. Complete financial statements for the Romeo District Library can be obtained from the administrative office.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Township as a whole. All nonfiduciary activities of the Township are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all property taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as support columns in the fund financial statements.

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for fire safety and protection services/activities within the Township. Funding is provided primarily through a local property tax levy.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

- c. The Advanced Life Support Fund is used to account for emergency medical response service/activities within the Township. Funding is provided primarily through a local property tax levy and a user charge for ambulance services.

The Township reports the following major enterprise funds:

- a. The Sewer System Fund is used to account for the activities of the sewage and storm water collection system. Funding is primarily raised through user charges.
- b. The Water System Fund is used to account for the activities of the construction and establishment of a water utility system. Funding is primarily raised through user charges.

The Township also reports fiduciary funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are by nature, custodial; therefore, operating results are not measured. The Township's fiduciary funds are the General Agency Fund and the Current Tax Collection Fund.

Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency funds since assets equal liabilities.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments, certain intergovernmental revenues, and certain charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary and agency funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect results in the required supplementary information. The Township employs the following budgetary data reflected in the financial statements.

- a. Prior to March 1, the Township Supervisor submits a proposed operating budget for the fiscal year commencing the following April 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to March 31, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity, as applicable, must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

Cash and Investments

Cash and cash equivalents consist of checking and savings accounts.

Investments include certificates of deposits with an original maturity of greater than 90 days from the date of purchase. All investments are stated at fair value.

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

Due from Other Governmental Units

Due from other governmental units consist of amounts due from the State of Michigan and other governments for various payments and grants.

Prepays

Prepaid expenditures in the governmental funds and prepaid expenses in the government-wide financial statements, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Machinery and equipment	4 - 30 years
Vehicles	5 - 25 years
Sewer system	60 years
Water system	60 years

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position or in the governmental funds balance sheet.

The Township reports deferred amounts which correspond to the Township's OPEB benefits and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual OPEB plan investment earnings made subsequent to the measurement date. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period in which they apply.

The Township reports deferred outflows of resources for the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Township also reports deferred inflows of resources which arises only under a modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to 60 days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of March 31, 2020, including related payroll taxes, is recorded entirely in the government-wide financial statements.

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Total Other Post-Employment Benefits Liability

The total other post-employment benefits liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

Property Tax

The Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levy is due February 28. All taxes not paid by their due date are deemed delinquent. Delinquent real and personal property taxes are turned over to the Macomb County Treasurer on March 1 of the year following the levy. The Macomb County Treasurer remits payment to all taxing units on all delinquent real property taxes. Personal property payments are remitted to the Township when the County collects the delinquent property taxes still outstanding after March 1.

The Township is permitted to levy up to \$1 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended March 31, 2020, the Township levied 0.7628 mills for general governmental services, 2.2400 mills for fire services, and 3.2900 mills for advanced life support services. The total taxable value for the 2019 levy for the property within the Township was \$496,508,292.

Tax Abatements

The Township's tax revenues have been reduced by tax abatements throughout the Township. Management has determined these amounts to be immaterial to the financial statements.

Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued).

Fund Balance Classifications

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Township's highest level of decision-making authority is the Township Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Township Board.

For assigned fund balance, the Township has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Township Board.

The Township has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Township considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS

As of March 31, 2020, the Township had deposits subject to the following risk:

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2020, \$3,056,048 of the Township's bank balance of \$4,065,377 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$3,710,777 is reported on the financial statements as of March 31, 2020. The financial statements report \$850 of imprest cash on hand.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issue or backer, by; limiting investments to the types of securities allowed by law; and investing through pre-approved third-party custodians.

Interest Rate Risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of March 31, 2020:

	Primary Government	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 3,041,295	\$ 297,022	\$ 3,338,317
Investments - current	373,310	-	373,310
	\$ 3,414,605	\$ 297,022	\$ 3,711,627

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2020, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 399,357
Water System Fund	532,799
Nonmajor governmental funds	<u>19,065</u>
	<u><u>\$ 951,221</u></u>
Due to Fire Fund from:	
Nonmajor governmental funds	<u><u>\$ 56,709</u></u>
Due to nonmajor governmental funds from:	
General Fund	\$ 125,000
Fire Fund	17,758
Sewer System Fund	<u>310,000</u>
	<u><u>\$ 452,758</u></u>
Due to Sewer System Fund from:	
Water System Fund	<u><u>\$ 47,511</u></u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

NOTE 4 - ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at March 31, 2020:

Advances from General Fund to:	
Sewer System Fund	<u><u>\$ 77,869</u></u>

Advances from the General Fund to the Sewer System Fund were to cover debt payments related to the 2007 Special Assessment Bonds.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020, was as follows:

Governmental Activities

	Restated Balance <u>Apr. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Mar. 31, 2020</u>
Capital assets not being depreciated				
Land	\$ 636,770	\$ -	\$ -	\$ 636,770
Capital assets being depreciated				
Buildings and improvements	3,789,633	-	-	3,789,633
Machinery and equipment	1,201,100	123,785	-	1,324,885
Vehicles	2,688,899	234,491	(6,513)	2,916,877
Subtotal	<u>7,679,632</u>	<u>358,276</u>	<u>(6,513)</u>	<u>8,031,395</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,664,539)	(55,487)	-	(2,720,026)
Machinery and equipment	(925,147)	(59,197)	-	(984,344)
Vehicles	(1,973,006)	(87,034)	6,513	(2,053,527)
Subtotal	<u>(5,562,692)</u>	<u>(201,718)</u>	<u>6,513</u>	<u>(5,757,897)</u>
Net capital assets being depreciated	<u>2,116,940</u>	<u>156,558</u>	<u>-</u>	<u>2,273,498</u>
Capital assets, net	<u>\$ 2,753,710</u>	<u>\$ 156,558</u>	<u>\$ -</u>	<u>\$ 2,910,268</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 36,593
Public safety	104,578
Public works	183
Community and economic development	285
Health and welfare	60,079
	<u>\$ 201,718</u>

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities

	Restated Balance Apr. 1, 2019	Additions	Deletions	Balance Mar. 31, 2020
Capital assets not being depreciated				
Construction in progress - water system	\$ -	\$ 11,760	\$ -	\$ 11,760
Capital assets being depreciated				
Sewer system	8,763,619	-	-	8,763,619
Water system	923,491	-	-	923,491
Subtotal	<u>9,687,110</u>	<u>-</u>	<u>-</u>	<u>9,687,110</u>
Less accumulated depreciation for:				
Sewer system	(2,926,969)	(146,061)	-	(3,073,030)
Water system	(100,045)	(15,391)	-	(115,436)
Subtotal	<u>(3,027,014)</u>	<u>(161,452)</u>	<u>-</u>	<u>(3,188,466)</u>
Net capital assets being depreciated	<u>6,660,096</u>	<u>(161,452)</u>	<u>-</u>	<u>6,498,644</u>
Capital assets, net	<u>\$ 6,660,096</u>	<u>\$ (149,692)</u>	<u>\$ -</u>	<u>\$ 6,510,404</u>

Depreciation expense was charged to the following business-type activities:

Sewer system	\$ 146,061
Water system	<u>15,391</u>
	<u>\$ 161,452</u>

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Township for the year ended March 31, 2020:

	Balance <u>Apr. 1, 2019</u>	Additions	Deletions	Balance <u>Mar. 31, 2020</u>	Amounts Due Within One Year
Governmental Activities					
Notes from direct borrowings and direct placements					
2014 State Infrastructure Bank Loan	\$ 333,213	\$ -	\$ (99,850)	\$ 233,363	\$ 30,455
2017 State Infrastructure Bank Loan	364,296	-	(36,596)	327,700	37,511
Capital lease	428,114	-	(29,051)	399,063	44,570
Compensated absences	<u>201,080</u>	<u>146,557</u>	<u>(139,019)</u>	<u>208,618</u>	<u>144,230</u>
Total governmental activities	1,326,703	146,557	(304,516)	1,168,744	256,766
Business-type Activities					
General Obligation Bonds					
2007 Special Assessment Bonds	125,000	-	(35,000)	90,000	40,000
2010 Special Assessment Bonds	385,000	-	(35,000)	350,000	35,000
Discount	(9,600)	-	800	(8,800)	(800)
2012 Refunding Bonds	2,615,000	-	(155,000)	2,460,000	155,000
Premium	34,255	-	(2,284)	31,971	2,284
Notes from direct borrowings and direct placements					
2015 State Clean Water Revolving Fund Loan	<u>294,999</u>	<u>-</u>	<u>(15,000)</u>	<u>279,999</u>	<u>15,000</u>
	<u>3,444,654</u>	<u>-</u>	<u>(241,484)</u>	<u>3,203,170</u>	<u>246,484</u>
TOTAL	<u><u>\$ 4,771,357</u></u>	<u><u>\$ 146,557</u></u>	<u><u>\$ (546,000)</u></u>	<u><u>\$ 4,371,914</u></u>	<u><u>\$ 503,250</u></u>

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

Governmental Activities

Governmental Activities Obligations

\$472,500 2014 State Infrastructure Bank (SIB) Loan, dated June 23, 2014, due in annual payments of \$37,456 through July 1, 2026, including interest of 3.00%, payable annually. In June 2019, the Township as informed of MDOT's final accounting for this project which resulted in a decrease of the loan principal of \$66,032. As a result, this decrease in principal owed has been shown as a special item on the Statement of Activities.

\$ 233,363

\$400,000 2017 State Infrastructure Bank (SIB) Loan, dated November 9, 2017, due in annual payments of \$45,704 through November 9, 2027, including interest of 2.50%, payable annually.

327,700

\$ 561,063

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities (continued)

Capital Lease

\$484,108 Lease purchase agreement dated November 1, 2017, consisted of an obligation for a fire truck tanker. Annual payments of \$57,314 are due through November 1, 2027, including interest of 3.19%. The cost of the tanker under the lease purchase agreement amounted to \$484,108. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the date of inception.

\$ 399,063

Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$208,618 for vacation and sick at March 31, 2020. The amounts of \$144,230 and \$64,388 have been reported as current and noncurrent liabilities, respectively. These liabilities are expected to be liquidated by the General, Fire, and Advance Life Support funds, as applicable.

Business-type Activities

Business-Type Activities Obligations

\$3,185,000 2012 Refunding Bonds, dated November 30, 2012, due in annual installments ranging from \$150,000 to \$195,000 through October 1, 2033, with interest ranging from 2.00% to 3.00%, payable semi-annually.

\$ 2,460,000

Special Assessment Bonds

\$520,000 2007 Special Assessment Bonds, dated August 1, 2007, due in annual installments ranging from \$40,000 to \$50,000 through April 1, 2022, with interest of 4.50%, payable semi-annually.

\$ 90,000

\$640,000 2010 Special Assessment Bonds, dated November 3, 2010, due in annual installments of \$35,000 through April 1, 2030, with interest of 5.20%, payable semi-annually.

350,000

\$ 440,000

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Business-type Activities (continued)

Revolving Fund Loan

\$340,000 State Clean Water Revolving Fund Loan, dated September 17, 2015, due in annual installments ranging from \$15,000 to \$20,000 through April 1, 2036, with interest of 2.50%, payable semi-annually.

\$ 279,999

The annual requirements to pay the debt principal and interest outstanding for the bonds, loans, and capital lease are as follows:

Year Ending March 31,	General Obligation Bonds			
	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 155,000	\$ 68,513	\$ 75,000	\$ 21,340
2022	150,000	65,413	85,000	17,720
2023	175,000	62,038	35,000	13,650
2024	170,000	57,663	35,000	11,830
2025	170,000	52,988	35,000	10,010
2026-2028	895,000	191,238	175,000	22,750
2031-2035	745,000	56,250	-	-
	\$ 2,460,000	\$ 554,103	\$ 440,000	\$ 97,300

Year Ending March 31,	Notes from direct borrowings and direct placements					
	General Obligation Loans		Capital Lease		Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 67,966	\$ 15,194	\$ 44,570	\$ 12,743	\$ 15,000	\$ 6,812
2022	69,818	13,342	45,993	11,320	15,000	6,437
2023	71,720	11,440	47,462	9,851	15,000	6,062
2024	73,674	9,486	48,978	8,336	15,000	5,687
2025	75,683	7,477	50,542	6,772	15,000	5,312
2026-2030	202,202	9,823	161,518	10,424	85,000	20,686
2031-2035	-	-	-	-	100,000	8,750
2036-2038	-	-	-	-	19,999	250
	\$ 561,063	\$ 66,762	\$ 399,063	\$ 59,446	\$ 279,999	\$ 59,996

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Advanced Refunding - Prior

On November 30, 2012, the Township defeased a portion of the 2004 General Obligation Capital Improvement Bonds, which are due and payable October 1, 2015 through October 1, 2033. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Township issued 2012 Refunding Bonds in the amount of \$3,185,000. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the Township's financial statements. At March 31, 2020, bonds due and payable October 1, 2020 through October 1, 2033, for the 2004 General Obligation Capital Improvement Bonds in the amount of \$2,325,000 are considered defeased.

NOTE 7 - RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for auto, property, general, wrongful acts, electronic data processing (EDP), crime, inland marine, law enforcement, employee benefits, public officials, and boiler and machinery. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for the risk of loss due to workers' compensation claims. Settled claims relating to commercial insurance do not exceed the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Township of Bruce Group Pension Plan is a defined contribution retirement plan administered by the Principal Financial group and available to all of the Township's full-time employees and part-time firefighters. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township's board, the Township contributes 16% of full-time employees' and 10% or 5% of part-time employees' base earnings depending on job position. In accordance with these requirements, the Township contributed \$270,758 during the current year.

The plan does not issue separate stand-alone financial statements.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Bruce Township Other Post-Employment Benefits (OPEB) Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Township. The Plan was established and is being funded under the authority of the Township. The Plan can be amended at the discretion of the Township. The Plan does not issue separate stand-alone financial statements.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Benefits

Benefits Eligibility	
Elected Officials	Serving one elected term
Fire Fighters	Age 50 with at least 70 points
TPOAM	The earlier of age 60 with 15 years of service, or age 55 and 20 years of service, or age 50 with 25 years of service
Benefits Provided	
Hired prior to July 1, 2017	
Elected Officials	Payment of Life Insurance premiums for life.
Fire Fighters	Payment of Medical, Dental, Vision, for the retiree and spouse for life. In addition, payment of Life Insurance premiums for life of the retiree.
TPOAM	Payment of Medical, Dental, and Vision premiums for the retiree and spouse for life. In addition, payment of Life Insurance premiums for life of the retiree.
Hired on or after July 1, 2017	
Elected Officials	Payment of Life Insurance premiums for life.
Fire Fighters	Payment of Medical, Dental, and Vision, Insurance premiums for the retiree and spouse until the retiree reaches Medicare eligibility. In addition, payment of Life Insurance Premiums for the life of the retiree.
TPOAM	Payment of Medical, Dental, Vision, and Life Insurance premiums for the retiree and spouse for life.

Summary of Plan Participants

At the March 31, 2019 valuation date, the following employees were covered by the benefit terms:

Retired members	12
Active employees covered by the plan	<u>22</u>
	<u><u>34</u></u>

Contributions

The Township has no obligations to make contributions in advance of when the premiums are due for payments (i.e., may be financed on a “pay-as-you-go” basis) except for the normal cost of employees first hired after June 30, 2018, in accordance with Public Act 202 of 2017. The Township is currently only paying premiums of retirees from current, available financial resources. For the year ended March 31, 2020, the Township’s only contribution was its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the Township was measured as of March 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined through an actuarial valuation as of that date.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumption

The total OPEB liability in the March 31, 2019 valuation was determined using the following assumptions applied to all periods included in the measurement:

Salary increases	3.50%
Inflation rate	N/A; plan is not pre-funded
Healthcare cost trend rates	Medical - 8.50% graded down to 4.50% by 0.25% per year; Medicare eligible at 7.00% graded down to 4.50% by 0.25% per year; Dental and Vision premiums at 3.00%
20-year Aa municipal bond rate	2.94%
Mortality	2010 Public General and Public Safety Employee and Healthy Retiree, Headcount-weighted with MP-2019 Mortality Improvement Scale.

As this plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.94%. Because the Plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For fiscal years subsequent to the valuation date, projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield and is used to determine the Total OPEB Liability.

Change in Total OPEB Liability

The change in the total OPEB liability for the year ended March 31, 2020, is as follows:

	Increase (Decrease)
	Total OPEB Liability (a)
Balances at March 31, 2019	<u>\$ 8,285,168</u>
Changes for the year	
Service cost	326,146
Interest on total OPEB liability	280,490
Experience (gains)	(13,984)
Change in actuarial assumptions	556,570
Benefit payments, including employee refunds	<u>(171,577)</u>
Net changes	<u>977,645</u>
Balances as of March 31, 2020	<u><u>\$ 9,262,813</u></u>

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Significant Accounting Policies

For purposes of measuring the total other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Township's fiduciary net position have been determined on the same basis as they are reported for the Township. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if there were any, would be reported at fair value. At March 31, 2020, the Township had no fiduciary plan assets so net position was \$0.

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended March 31, 2020, the Township recognized OPEB expense of \$744,699. At March 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 414,949	\$ -
Differences between expected and actual experience	-	10,426
	\$ 414,949	\$ 10,426

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending March 31,	OPEB Expense
2021	\$ 138,063
2022	138,063
2023	128,397

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate and health care cost trend rate that is 1-percentage-point lower (1.94%) or 1-percentage-point higher (3.94%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 11,225,478	\$ 9,262,813	\$ 7,771,412

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 7,590,897	\$ 9,262,813	\$ 11,497,968

NOTE 10 - FUND EQUITY DEFICITS

The Special Assessment District Fund had a deficit balance at March 31, 2020, of \$57,773. The Special Assessment District Fund deficit fund balance was a planned deficit as eligible expenditures were incurred in advance of special assessment revenues. The Township plans to eliminate this deficit through future special assessment collections.

The Sewer System Fund had a deficit unrestricted net position at March 31, 2020, of \$455,958. The Township plans to eliminate this deficit through future charges for services.

The Water System Fund had a deficit unrestricted net position at March 31, 2020, of \$240,734. The Township plans to eliminate this deficit through future charges for services.

NOTE 11 - RESTATEMENT OF NET POSITION

Beginning net position for business-type activities and the Sewer System Fund have been restated to correct understated accumulated depreciation.

	Business-type Activities	Sewer System Fund
Beginning net position	\$ 2,814,426	\$ 2,305,979
Accumulated depreciation	(53,502)	(53,502)
Restated beginning net position	\$ 2,760,924	\$ 2,252,477

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - DETAILS OF FUND BALANCE CLASSIFICATIONS

The fund balance constraints as of March 31, 2020, are as follows:

	General Fund	Fire Fund	Advance Life Support Fund	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 5,514	\$ 8,124	\$ 4,137	\$ -	\$ 17,775
Advances	77,869	-	-	-	77,869
Restricted					
Public safety	-	1,212,763	-	-	1,212,763
Health and welfare	-	-	1,286,110	-	1,286,110
Capital projects	-	-	-	194,538	194,538
Assigned					
Post-employment healthcare	150,000	-	-	-	150,000
Cable expenditures	104,035	-	-	-	104,035
Capital projects	-	-	-	402,653	402,653
Unassigned	1,094,417	-	-	(57,773)	1,036,644
	<u>\$ 1,431,835</u>	<u>\$ 1,220,887</u>	<u>\$ 1,290,247</u>	<u>\$ 539,418</u>	<u>\$ 4,482,387</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was implemented during the year. This Statement defines debt for purposes of disclosure in notes to financial statements and requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

NOTE 14 - SUBSEQUENT EVENT

The extent of the impact of COVID-19 on the Township's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84 *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In August 2018, the GASB issued Statement No, 90, *Major Equity Interests*. This Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset -an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF BRUCE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
YEAR ENDED MARCH 31, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 492,200	\$ 498,900	\$ 502,203	\$ 3,303
Licenses and permits	112,500	166,000	166,230	230
Intergovernmental				
State shared revenue	600,000	618,000	622,522	4,522
Local community stabilization	44,000	85,900	83,349	(2,551)
Metro act	6,500	6,500	6,677	177
Charges for services	66,400	68,100	28,989	(39,111)
Interest	3,000	5,200	3,851	(1,349)
Other	6,200	17,200	8,517	(8,683)
TOTAL REVENUES	1,330,800	1,465,800	1,422,338	(43,462)
EXPENDITURES				
Current				
General government				
Township board	29,193	33,593	32,025	1,568
Supervisor	56,407	57,407	57,492	(85)
Elections	7,850	18,850	20,306	(1,456)
Assessor	129,505	127,505	123,269	4,236
Legal fees	8,000	14,000	13,306	694
Clerk	108,115	109,115	109,577	(462)
General office	65,347	65,347	65,164	183
Accounting and audit	64,530	64,530	63,403	1,127
Board of Review	1,900	1,900	1,669	231
Tax roll preparation	5,800	6,350	6,328	22
Treasurer	82,292	83,292	82,934	358
Building and grounds	37,340	41,340	40,167	1,173
Total general government	596,279	623,229	615,640	7,589
Public safety				
Inspections	141,780	181,780	186,534	(4,754)
Ordinance enforcement	6,900	7,700	7,350	350
Total public safety	148,680	189,480	193,884	(4,404)
Public works				
Street lighting	11,500	15,300	15,418	(118)
Engineering	1,500	-	-	-
Road chloride and paving	29,075	20,575	20,553	22
Cemeteries	26,800	19,800	16,729	3,071
Total public works	68,875	55,675	52,700	2,975

**TOWNSHIP OF BRUCE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) (continued)
YEAR ENDED MARCH 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Current (continued)				
Community and economic development				
Zoning board of appeals	\$ 2,300	\$ 1,800	\$ 1,661	\$ 139
Zoning	4,000	5,000	4,625	375
Planning	63,050	63,550	63,550	-
Total community and economic development	<u>69,350</u>	<u>70,350</u>	<u>69,836</u>	<u>514</u>
Other				
Insurance and other	211,200	230,111	229,283	828
Pension plan	84,600	89,600	89,603	(3)
Employer payroll taxes	41,800	47,000	47,031	(31)
Total other	<u>337,600</u>	<u>366,711</u>	<u>365,917</u>	<u>794</u>
Capital outlay	<u>16,844</u>	<u>79,487</u>	<u>98,305</u>	<u>(18,818)</u>
Debt service	<u>93,172</u>	<u>111,868</u>	<u>83,159</u>	<u>28,709</u>
TOTAL EXPENDITURES	<u>1,330,800</u>	<u>1,496,800</u>	<u>1,479,441</u>	<u>17,359</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	-	(31,000)	(57,103)	(26,103)
OTHER FINANCING SOURCES				
Sale of general capital assets	<u>-</u>	<u>31,000</u>	<u>31,110</u>	<u>110</u>
NET CHANGE IN FUND BALANCE (prior to adjustments for GASB Statement No. 54)	<u>\$ -</u>	<u>\$ -</u>	<u>(25,993)</u>	<u>\$ (25,993)</u>
Net adjustments for GASB Statement No. 54			<u>5,452</u>	
Net change in fund balance, end of year			<u>\$ (20,541)</u>	

**TOWNSHIP OF BRUCE
FIRE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 831,025	\$ 831,725	\$ 825,015	\$ (6,710)
Charges for services	171,000	186,575	154,555	(32,020)
Interest	6,500	7,300	8,801	1,501
Other	1,700	2,200	1,540	(660)
TOTAL REVENUES	1,010,225	1,027,800	989,911	(37,889)
EXPENDITURES				
Current				
Public safety	877,787	908,587	916,871	(8,284)
Capital outlay	75,124	61,899	43,800	18,099
Debt service	-	57,314	57,314	-
TOTAL EXPENDITURES	952,911	1,027,800	1,017,985	9,815
NET CHANGE IN FUND BALANCE	57,314	-	(28,074)	(28,074)
Fund balance, beginning of year	1,248,961	1,248,961	1,248,961	-
Fund balance, end of year	\$ 1,306,275	\$ 1,248,961	\$ 1,220,887	\$ (28,074)

**TOWNSHIP OF BRUCE
ADVANCED LIFE SUPPORT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 1,214,786	\$ 1,214,786	\$ 1,202,495	\$ (12,291)
Charges for services	1,002,000	1,013,500	1,009,478	(4,022)
Interest	5,500	5,500	5,942	442
Other	7,000	7,000	1,705	(5,295)
TOTAL REVENUES	<u>2,229,286</u>	<u>2,240,786</u>	<u>2,219,620</u>	<u>(21,166)</u>
EXPENDITURES				
Current				
Health and welfare	1,880,505	1,992,335	1,942,639	49,696
Capital outlay	248,781	248,451	241,802	6,649
TOTAL EXPENDITURES	<u>2,129,286</u>	<u>2,240,786</u>	<u>2,184,441</u>	<u>56,345</u>
EXCESS OF REVENUES OVER EXPENDITURES	100,000	-	35,179	35,179
OTHER FINANCING (USES)				
Transfers out	(100,000)	-	-	-
NET CHANGE IN FUND BALANCE	-	-	35,179	35,179
Fund balance, beginning of year	<u>1,255,068</u>	<u>1,255,068</u>	<u>1,255,068</u>	-
Fund balance, end of year	<u>\$ 1,255,068</u>	<u>\$ 1,255,068</u>	<u>\$ 1,290,247</u>	<u>\$ 35,179</u>

TOWNSHIP OF BRUCE
SCHEDULE OF CHANGES IN EMPLOYER'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 3/31 OF EACH YEAR)

	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 326,146	\$ 315,758
Interest	280,490	266,167
Changes in actuarial assumptions	556,570	-
Difference between actual and expected experience	(13,984)	-
Benefit payments, including employee refunds	<u>(171,577)</u>	<u>(142,420)</u>
Net change in total OPEB liability	977,645	439,505
Total OPEB liability, beginning	<u>8,285,168</u>	<u>7,845,663</u>
Total OPEB liability, ending	<u><u>\$ 9,262,813</u></u>	<u><u>\$ 8,285,168</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered employee payroll	\$ 1,548,096	\$ 1,304,888
Township's net OPEB liability as a percentage of covered employee payroll	598%	635%

TOWNSHIP OF BRUCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TWO FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 3/31 OF EACH YEAR)

	<u>2020</u>	<u>2019</u>
Actuarially determined employer contribution	\$ 1,755,935	\$ 588,392
Employer contribution (benefit payment)	<u>171,577</u>	<u>142,420</u>
Contribution deficiency/(excess)	<u>\$ 1,584,358</u>	<u>\$ 445,972</u>
Covered employee payroll	\$ 1,548,096	\$ 1,304,888
Contribution as a percentage of payroll	11%	11%

Actuarial valuation information relative to the determination of contributions:

Valuation date	March 31, 2019
Measurement date	March 31, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Remaining amortization period	6 years
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal Bond Rate	2.94%, same as discount rate
Salary increases	2.50%
Inflation rate	Implicit in expected payroll increases
Healthcare cost trend rates	N/A; benefit payments have set maximum
Mortality	2010 Public General and Public Safety Employees, Headcount-weighted, and Healthy retiree with MP-2019 Mortality Improvement Scale

TOWNSHIP OF BRUCE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2020

NOTE 1 - BUDGET/GAAP RECONCILIATION

The Township budgets the activities of the Cable Franchise Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, the activity of the Cable Franchise Fund is combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP basis) reconciles the change in fund balance to the GAAP basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ (25,993)
To adjust charges for services pertaining to Cable Franchise Fund	107,161
To adjust interest revenue pertaining to Cable Franchise Fund	95
To adjust public works expenditures pertaining to Cable Franchise Fund	<u>(101,804)</u>
Net change in fund balance (GAAP basis)	<u><u>\$ (20,541)</u></u>

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.

During the year ended March 31, 2020, the Township incurred expenditures in various General Fund activities more than the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
General government			
Supervisor	\$ 57,407	\$ 57,492	\$ 85
Elections	18,850	20,306	1,456
Clerk	109,115	109,577	462
Public works			
Inspections	181,780	186,534	4,754
Street lighting	15,300	15,418	118
Other			
Pension plan	89,600	89,603	3
Employer payroll taxes	47,000	47,031	31
Capital Outlay	79,487	98,305	18,818

TOWNSHIP OF BRUCE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)
YEAR ENDED MARCH 31, 2020

NOTE 3 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefit terms: There were no changes of benefit terms during plan year 2020.

Changes in assumptions:

- Mortality improvement scale updated from MP-2018 to MP-2019
- Method for valuing life insurance changed from valuing life insurance premiums to face amount
- Trend rates changes from Pre-Medicare, 8.5% graded down to 4.5% by 0.25% per year; Post-Medicare, 7.0% graded down to 4.5% by 0.25% per year
- Discount rate changed from 3.29

OTHER SUPPLEMENTARY INFORMATION

**TOWNSHIP OF BRUCE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2020**

	<u>Capital Projects Funds</u>		<u>Total</u>
	<u>Improvement Revolving</u>	<u>Special Assessment District</u>	
ASSETS			
Cash and cash equivalents	\$ 157,198	\$ -	\$ 157,198
Investments	5,236	-	5,236
Special assessment receivable	-	72,294	72,294
Due from other funds	435,000	17,758	452,758
TOTAL ASSETS	<u>\$ 597,434</u>	<u>\$ 90,052</u>	<u>\$ 687,486</u>
LIABILITIES			
Due to other funds	\$ 243	\$ 75,531	\$ 75,774
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	72,294	72,294
FUND BALANCES (DEFICITS)			
Restricted	194,538	-	194,538
Assigned	402,653	-	402,653
Unassigned	-	(57,773)	(57,773)
TOTAL FUND BALANCES (DEFICITS)	<u>597,191</u>	<u>(57,773)</u>	<u>539,418</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u>\$ 597,434</u>	<u>\$ 90,052</u>	<u>\$ 687,486</u>

**TOWNSHIP OF BRUCE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2020**

	<u>Capital Projects Funds</u>		<u>Total</u>
	<u>Improvement Revolving</u>	<u>Special Assessment District</u>	
REVENUES			
Special assessments	\$ -	\$ 18,006	\$ 18,006
Interest	-	4,508	4,508
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	-	22,514	22,514
EXPENDITURES			
Current			
Public works	6,012	-	6,012
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,012)	22,514	16,502
Fund balances (deficits), beginning of year	603,203	(80,287)	522,916
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	<u>\$ 597,191</u>	<u>\$ (57,773)</u>	<u>\$ 539,418</u>

**TOWNSHIP OF BRUCE
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2020**

	<u>General Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 297,022	\$ -	\$ 297,022
Due from others	12,083	43,955	56,038
TOTAL ASSETS	<u>\$ 309,105</u>	<u>\$ 43,955</u>	<u>\$ 353,060</u>
LIABILITIES			
Due to others	\$ 7,988	\$ -	\$ 7,988
Due to other governmental units	-	43,955	43,955
Deposits	301,117	-	301,117
TOTAL LIABILITIES	<u>\$ 309,105</u>	<u>\$ 43,955</u>	<u>\$ 353,060</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce (the Township), Michigan, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described on the following page, we identified a certain deficiency in internal control that we consider to be a material weakness.

2020-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITOR

Condition: Material journal entries for the proper recognition of due from other governmental units, capital assets, bonds payable, and beginning net position were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the Township's general ledger.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Cause: Management did not properly identify the misstatements and record the necessary adjustments.

Effect: The Township's financial reports initially contained material misstatements that were not otherwise identified by management.

Recommendation: We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Township implemented new financial accounting software during the fiscal year and struggled with certain aspects that appear to have been resolved subsequent to the audit fieldwork.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2020-002 FUND EQUITY DEFICITS

Condition: At the end of the fiscal year, the Special Assessment District Fund report a fund balance deficit and the Sewer System and Water System Funds reported deficit unrestricted net position.

Criteria: Michigan Public Act 275 of 1980 provides that the Township shall not have deficits in one or more of the Township's unrestricted fund balances/unrestricted net position. Michigan Public Act 140 of 1971 provides that a Township ending its fiscal year with funds in a deficit condition shall formulate a deficit elimination plan. The Township submitted an original deficit elimination plan for the Special Assessment District Fund to the Michigan Department of Treasury subsequent to the end of the 2013 fiscal year. The Township is required to update the plan on an annual basis until the deficit is eliminated.

Cause: The Special Assessment District Fund was a planned deficit caused by the outlay of expenditures prior to the collection of the special assessments. In the Sewer Fund and the Water Fund, the Township has not raised rates significantly enough to ensure the operating revenue in the Sewer Fund and the Water Fund are sufficient to cover all expenses (including depreciation).

2020-002 FUND EQUITY DEFICITS (continued)

Effect: The Township is not in compliance with Public Act 275 of 1980. As a result, the Township will be required to continue to prepare and submit a Deficit Elimination Plan to the State of Michigan.

Recommendation: We recommend that the Township update the Special Assessment District Fund deficit elimination plan. We also recommend the Township utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits. We also recommend the Township complete a rate study for the Sewer Fund and the Water Fund to determine the proper rate to charge in order to sustain operations and save for future capital improvements.

Corrective Action Response: While the Special Assessment District Fund was a planned deficit, the Township has been working to eliminate the deficits in the Sewer and Water systems through incremental increases to the utility rates and careful, planned expansion of the system.

2020-003 UNFAVORABLE BUDGET VARIANCES

Condition: We noted that expenditures exceeded the amounts appropriated for the year ended March 31, 2020, in certain areas within the General Fund.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Cause: Unknown.

Effect: The Village was not in compliance with the budgeting act, Michigan Public Act 2 of 1968, as amended by Public Act 621 of 1978.

Recommendation: We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

Corrective Action Response: The Township will monitor expenditures against adopted budgets on a more frequent basis and work to make appropriate budget adjustments as needed in a timely manner.

Township of Bruce's Responses to Findings

The Township's responses to the findings identified in our audit are described above. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

September 7, 2020

September 7, 2020

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce (the Township) for the year ended March 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 13, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, during the year ended March 31, 2020. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosure. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

Management's calculation of the percentages for current and noncurrent compensated absence payments is based on the historical trend of employees' use of compensated absences.

Management's estimate of the total other post-employment benefit obligation is calculated through the actuarial measurement method of calculation based upon certain economic assumptions.

The Township's investments in joint ventures are based on the most recent and available financial statements for the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Senior Transportation through Advanced Reservation Commission. The most recent and available financial statements for these entities are as of and for the year ended March 31, 2019.

The most sensitive estimate affecting the financial statements of the governmental activities, business-type activities, Sewer System Fund, and Water System Fund was:

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

The most sensitive estimate affecting the financial statements of the governmental activities and the Advanced Life Support Fund was:

Management's calculation of ambulance revenue and receivable for the current period is based on the current period collections from the prior month.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: due from other governmental units, capital assets, bonds payable, and beginning net position.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 7, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and the schedules for other post-employment benefits, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor and fiduciary fund financial statements, which accompany the financial statements, but are not RSI. With respect to this supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Township of Bruce and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC